

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L ROME 005665

SIPDIS

NOFORN

DEPT FOR EUR/WE, EUR/ERA

E.O. 12958: DECL: 12/09/2013

TAGS: [PREL](#) [IT](#) [EUN](#)

SUBJECT: ITALY'S EU PRESIDENCY HAS UNEVEN SUCCESS BUT
DELIVERS ON U.S. SECURITY INTERESTS

REF: A. ROME 4133

[B](#). ROME 4564

[C](#). BRUSSELS 4892

[D](#). ROME 3237

[E](#). ROME 5150

[F](#). BRUSSELS 5622

Classified By: DCM EMIL SKODON FOR REASONS 1.5 (B) AND (D)

[1](#). (C) SUMMARY. Against the backdrop of EU members' continuing divisions over Iraq, Italy's EU Presidency managed to further U.S. interests in fighting terrorism and in keeping the EU's defense and security policy in accord with NATO and the Berlin-Plus agreement - in line with Italy's Presidency goal of strengthening transatlantic ties. Italy also succeeded in meeting other key EU Presidency goals of enlarging the EU and improving border control. It was less effective, however, in resolving U.S.-EU differences on economic and trade issues, notably regarding genetically modified organisms. In addition, the Italian EU Presidency's economic growth initiative to increase investment, transportation, and telecommunications did not fulfill its lofty ambitions, particularly on infrastructure projects, but resulted in the Council's endorsement of public/private investments to improve competitiveness and reduce unemployment.

[2](#). (C) Italy's failure to bring about approval of the EU draft Constitution is likely to be its EU Presidency legacy. Much of the European press and a number of EU parliamentarians have blamed Prime Minister Silvio Berlusconi for not being able to mediate member states' implacable differences on voting rights. Berlusconi decided it was better to end the InterGovernmental Conference (IGC) rather than preside over a weekend of futile haggling. He deserves some credit for meeting with EU government leaders to attempt to forge consensus and for proposing last-minute compromises, but ultimately could not overcome Spain and Poland's determination to hold on to the voting advantages they fought for at the Nice Treaty, and France's refusal to compromise on the Convention's QMV formula. END SUMMARY.

Two Presidencies

[3](#). (C) Berlusconi's senior diplomatic advisor (NSA equivalent), Giovanni Castellaneta, told DCM that Italy's tenure should be viewed from two perspectives - the normal residency responsibilities and the IGC. He emphasized that the Prime Minister was pleased with the overall Presidency results and the concluding documents approved in Brussels. Italy was particularly proud of the statement on Transatlantic relations authored by Italy and approved by the final Council. He was pleased with the public statement of gratitude by A/S Jones. Italy will continue to push for stronger US-EU ties during upcoming Presidencies, he promised.

[4](#). (C) Both Castellaneta and MFA office director for EU Institutional Affairs Giuseppe Buccino-Grimaldi laid the blame for the IGC's failure to agree on a draft in two corners. Most important was the Spanish/Polish unwillingness to bend on Nice voting arrangements. The other was France's reluctance to compromise in good faith on the QMV formula laid out in the original Convention draft. All other issues had been agreed to or would have been adopted with some modification, emphasized Buccino. The big question now is whether the areas already agreed will be frozen while QMV negotiations continue. DCM put this question to a number of EU member COMs and DCMs at President Ciampi's holiday reception for the Diplomatic Corps on December 19, and received the full range of answers -- yes, no, and maybe. Ireland will have its hands full managing this process while at the same time presiding over an EU preoccupied with formal enlargement in May, elections in Spain and Poland and for the European Parliament. For all these reasons, Buccino opined that the treaty would not be ready for another attempt at consensus until the Dutch Presidency in the second half of [2004](#).

15. (C) Italy's failure to unite EU members in resolving voting rights differences has also put on the shelf for now its provisions for structured cooperation, a single foreign minister, and a watered-down mutual defense clause that may have satisfied neutral EU states but appeared to no longer obligate all members to come to one another's defense. The EU defense planning capabilities decided on prior to the Summit, however, are intact. The proposal -- welcomed by NATO SYG Robertson and in accordance with the Berlin-Plus agreement reinforcing NATO/EU cooperation -- creates an independent EU military planning cell that will link EU military officers in national military headquarters to coordinate operations in which NATO does not participate. According to this plan, a NATO liaison officer will sit at the EU military office, and the EU will have a staff at SHAPE. Castellaneta -- who was involved in drafting this proposal with his British, French, and German colleagues -- was particularly pleased that it set out a clear hierarchy of preferences for EU planning: NATO as the "natural choice," then Berlin-plus, then an EU national headquarters lead, and only when none of these apply a recourse to an EUMS-led approach. European defense policy also evolved during the Italian EU Presidency to enhance capabilities for gendarmerie and humanitarian forces deployment before or after military conflict and a European Defense Agency that will coordinate research, development, and arms purchases.

16. (C) The European Council's final declaration under the Italian EU Presidency states that the EU is committed to multilateralism and "a strong UN," and it begins and ends with statements that the transatlantic relationship is "irreplaceable and essential." In order to underscore the importance of these ties, Foreign Minister Franco Frattini invited Secretary Powell to the EU foreign ministers' Nov. 18 working lunch in Brussels, an initiative that fostered goodwill; the final Summit declaration refers to the "positive results" of that meeting.

Fighting Terrorism and WMD

17. (C) Frattini played a key role in persuading the EU to declare Hamas a terrorist organization and freeze its assets; EU consensus on blocking assets for charities that support Hamas and suspected terrorists in Italy and abroad remains a problem, however, but Castellaneta insisted that Italy would continue to push the issue within the EU. MFA POLDIR Aragona has told DCM the same, but cautioned that it will be difficult to get some other EU members to move more quickly. Italy led the EU in adopting a position on strengthening international treaties against weapons of mass destruction (including the nuclear non-proliferation treaty, IAEA rules, the treaty banning nuclear tests and experiments, conventions on biological and chemical weapons, and the Hague code of conduct against proliferation of ballistic missiles). The EU also passed a measure requiring all future EU treaties to include a clause against WMD proliferation.

Boosting Enlargement: Italy's Investment in the Future

18. (C) Italy made considerable progress in achieving one of its key presidency goals of advancing the EU candidacies of Turkey, Balkan countries, and former Soviet states -- an accomplishment that promises to promote stability in fragile democracies. At the Dec. 12 Council, Italy succeeded in pushing for early accession -- January 1, 2007 -- of Bulgaria and Romania. It greatly encouraged Turkey's path to reform, stressing the importance of using Ankara's influence to facilitate a Cyprus settlement. Castellaneta pointed to the encouraging gains made by the anti-Denktaş Parliamentarians in the elections, and promised to work closely with his Irish counterpart to keep the pressure on all sides to continue reform.

Iraq

19. (C) Italy demonstrated leadership as President by pledging 200 million Euro for Iraq reconstruction at the Madrid conference, the second largest amount by an EU member state. Italian efforts to get the EU to show stronger political support for coalition efforts in Iraq were generally

unsuccessful; even the final European Council declaration was only a minor improvement over previous lowest-common-denominator language.

EU Outreach

¶10. (C) Italy did not meet all of its ambitious MEPP goals but held several conferences to further the peace process, including the AHLC Palestinian donors conference, where Rome pledged 77 million euro, and a Euromed Partnership Conference that facilitated meetings among Arab and Israeli foreign ministers. In its EU Presidency declarations and during meetings with Israeli leaders in November, Italy took a balanced approach of moderate support for Israel (including new bilateral agreements on technical cooperation) while condemning Israel's security wall incursion into Palestinian territory; it worked to further Palestinian development while pressing Palestinian leaders to crack down on terrorism. Italy reaffirmed that the roadmap is still the only viable peace plan on the table.

¶11. (SBU) Italy was successful in turning the EU's attention back towards the Balkans in the wake of the war in Iraq. The Presidency successfully used the EU's Balkan Stabilization and Association process to push continued reform throughout the region, especially in Albania and Croatia. Under Italy's watch, the EU police follow-on to NATO in Macedonia continued to provide a stable security environment around Tetovo and other areas of ethnic tension, and has been praised by some EU member states as the first Berlin-plus operation and as proof that the EU can deploy into (somewhat) hostile areas. Italy was also instrumental in clarifying the transition phase of an EU Berlin-plus SFOR follow-on, which will occur only in close consultation with NATO (and the US) and would continue to include a small NATO contingent even after the EU is fully deployed.

¶12. (C) The EU-Russia Summit in November resulted in a number of cooperation agreements, but Berlusconi sent the wrong message to Moscow when he defended President Vladimir Putin on the issues of Russia's human rights record in Chechnya and its arrest of energy czar Khodorkhovsky -- remarks that prompted a rare censure from the European Parliament. Frattini later led the EU in joining Secretary Powell to warn Russia about adhering to its promises to withdraw troops from Georgia and Moldova and respect human rights.

¶13. (C) During Italy's Presidency, the EU urged Tehran to suspend uranium enrichment activities and agree to the IAEA Additional Protocols on Safeguards. The EU also has denounced torture and human rights violations in Iran but agreed to continue dialogue with Tehran. Castellaneta said that the EU debate on how to deal with Iran will continue, and emphasized Italy's view that the International Community (IC), while continuing to be tough with Iran, should also keep open communications lines. Iran has received a warning from the IC on its nuclear program and will therefore be more cautious in the future, he averred. Under the right conditions, Iran could be used as a tool to promote regional stability. Luigi Maccotta, head of the MFA's Iran and Iraq office, told Poloff that, in terms of Iran policy, the EU Presidency had been a disappointment. The EU, he explained, prefers to pursue a policy of engagement with Tehran, favoring carrots over sticks. The IAEA Board of Governors criticism in November of Iran's nuclear policies, followed shortly by a UN resolution condemning Iranian human rights policies, both fall in the latter category. (Comment. Tehran postponed FM Frattini's trip to Iran earlier this month, immediately following Italian support for the UN resolution, in order to express its pique at the Italians. Maccotta said the trip has not been rescheduled but will be, since dialogue is paramount to the Italians. End comment). Maccotta added, however, that these events did lay down markers so that Iran knows exactly where it stands with the EU, which could alleviate any ambiguities in future dialogue.

¶14. (SBU) Near the end of the EU Presidency, a high-level Italian diplomat led an EU delegation to both Pyongyang and South Korea to express EU concerns about North Korea's nuclear program and to push for six-party nuclear talks.

¶15. (C) Bilateral and EU meetings with Ukraine President Leonid Kuchma were important in keeping Ukraine within the EU sphere on the heels of Kiev's increasing economic alliances with Russia. MFA Counselor for NIS Affairs told poloffs that Berlusconi recommended to Kuchma that Ukraine could bolster its EU aspirations by increasing its efforts to help broker a solution to the Moldova/Transnistrian conflict.

Breakthroughs on Justice and Home Affairs

¶16. (C) Concerns about combating a dramatic rise in illegal immigration from North Africa over the last decade moved Italy to push European border security to the top of the JHA agenda, paving the way for the establishment an EU Border Management Agency and enhancing the EU's capacity to combat illegal immigration across maritime borders. On the law enforcement front, there was moderate progress in beefing up Europol while a new Framework Decision established an EU-wide

basis for the definition of criminal acts and penalties in the field of drug trafficking. In addition, the Presidency was able to secure JHA Council political support for the EC to finalize its proposal on biometrics in visas and residency permits -- a decision endorsed by leaders at the EU summit.

Trade and Economic Issues

17. (C) The Italian EU Presidency had some economic successes but none helpful to US policy. Italy abstained on the EU vote to lift a ban on genetically modified corn, reflecting a major rift among the GOI ministries on the issue. Italy also lent little weight to resolve the impasse with the EU on the proposed Galileo satellite system signals that interfere with U.S. military navigational warfare capability and instead has preferred to leave the issue with European Commission experts. Similarly, with the Passenger Name Recognition issue, Italy overcame the objections of its national data privacy authority on the transfer of passenger data to the U.S., then left negotiations at the EU level to the Commission.

18. (SBU) The Italian Presidency made progress in the financial arena: achieving consensus on a European takeover code -- capping the end of 15 years of infighting; making progress on the Investment Services and Transparency Directives; and advancing agreement on the Financial Services Action Plan, which is designed to create a single harmonized EU securities market. Italy, in response to U.S. approaches, included language in the preamble to the Takeover Directive to ensure that U.S. firms will not be disadvantaged by the Directive. On the down side, under Italy's EU watch Italian Finance Minister Tremonti led the European Council in supporting the suspension of the Stability Pact in order to accommodate French and German deficits, leading to still resounding recriminations from smaller countries alleging double standards and hypocrisy (but not "unilateralism").

19. (SBU) Italy claimed success in realizing one of its key goals, a European economic growth initiative that continues the Lisbon agenda of increasing economic competitiveness. At the final Summit, the European Council endorsed Italy's plan to invest in infrastructure, research, and education using public (national governments and the European Investment Bank) and private sector funds.

The Berlusconi Factor

20. (C) Berlusconi's leadership of the EU Presidency was marred by controversy from his suspended bribery trial, his verbal gaffes offending other EU leaders, coalition tensions, and his government's declining popularity ratings. Berlusconi and EU Commission President Romano Prodi indulged in spats motivated in part by their domestic political rivalry: Berlusconi scheduled Prodi as the last speaker at the IGC opening in October; Prodi, poll respondents' most popular choice to lead the Left in the next Italian national elections, published a manifesto for the European left widely viewed as a challenge to Berlusconi's center-right government. During the Presidency, Berlusconi's government faced several challenges, including internal squabbling over legislation and from widespread but largely ineffective

transportation strikes and demonstrations against proposed pension reform legislation.

21. (C) Berlusconi -- a leader for whom personal relationships are paramount -- became one of the few EU Presidents to be censured by the European Parliament after he spoke out in defense of Russian President Putin's human rights record in Chechnya and the arrest of Yukos chairman Khodorkovsky. While there's no love lost between Berlusconi and the Brussels bureaucracy, Berlusconi has been, on the other hand, an ardent friend of Washington and -- in spite of Italian public disapproval of the Iraq war and the loss of 19 Italians to a terrorist attack in Iraq -- an eloquent defender of U.S. efforts to fight terrorism.

Comment

22. (C) Italy's slow start lowered expectations for a successful conclusion to its EU Presidency. Despite the IGC collapse over QMV, Italy nevertheless ironed out with other EU transatlanticists a European security policy in accord with NATO and led the EU to contribute to the fight against terrorism. For these reasons, we give the Italian EU Presidency a "B" grade reflecting its uneven success overall but its support for U.S. foreign policy interests. The transatlantic successes of this EU Presidency set the stage for continued EU-US cooperation in future Presidencies.

SEMBLER

NNNN

2003ROME05665 - Classification: CONFIDENTIAL